

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6323

BILL NUMBER: HB 1132

NOTE PREPARED: Jan 21, 2014

BILL AMENDED:

SUBJECT: Infrastructure Improvement Costs.

FIRST AUTHOR: Rep. Friend

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that a public utility that provides water or wastewater service may petition the Utility Regulatory Commission (IURC) for an adjustment of its basic rates and charges to allow for recovery of eligible infrastructure improvement costs. (Current law provides that only a public utility that provides water service may apply for a distribution system improvement charge (DSIC)). It requires a public utility to annually reconcile the difference between its utility rate improvement adjustment revenues and infrastructure improvement costs. The bill also repeals definitions related to DSICs and it makes conforming amendments.

Effective Date: July 1, 2014.

Explanation of State Expenditures: *Indiana Utility Regulatory Commission (IURC):* This bill could increase administrative expenditures for the IURC. Current law provides that a public utility providing water service may petition for a change in its DSIC every 12 months. This bill provides that public utilities providing water or wastewater service may petition the IURC for the adjustment of basic rates and charges in order to recover costs for infrastructure improvements every 12 months. Any increase in expenditures to the IURC would be offset by public utility fees.

State & Local Expenditures: State and local governmental entities may be subject to any changes in utility rates as a result of the provisions in this bill.

Additional Information - The operating budget of the IURC is funded by regulated utilities operating in Indiana. The IURC determines the rate at which to bill the utilities based on the agency's budget, less

reversions, divided by the total amount of gross intra-state operating revenue received by the regulated utilities for the previous fiscal year. Based on this formula, utilities are currently billed approximately 0.12% of their gross intra-state operating revenues to fund the IURC.

Explanation of State Revenues: To the extent that utility rates are affected by the provisions in this bill, there will be an impact on Sales Tax, Utility Receipts Tax (URT), and Utility Services Use Tax (USUT) collections.

The rate for both the URT and USUT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana. The USUT is imposed on the retail consumption of utility services in Indiana. Both the URT and USUT are deposited in the state General Fund.

Sales tax revenue is deposited in the state General Fund (98.848%), the Motor Vehicle Highway Account (1%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures: See *Explanation of State Expenditures*.

Explanation of Local Revenues:

State Agencies Affected: Indiana Utility Regulatory Commission; All.

Local Agencies Affected: All.

Information Sources:

Fiscal Analyst: Jessica Harmon, 317-232-9854.